Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Business Concepts 2 **May/June 2024**

1 hour 30 minutes

7721438625

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **8** pages. Any blank pages are indicated.

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1 Post Scent (PS)

PS is a private limited company operating in country H. It sells perfume for men and women using its own website. PS purchases the perfume in large quantities from various manufacturers and then sells it in smaller quantities to its customers. Most of the perfumes are sold in glass bottles.

PS has two main ways in which it sells perfume:

- A website where customers can purchase a range of perfumes. The perfumes are priced to be lower than high street competitors.
- A subscription service where customers pay a monthly fee for a mystery perfume to be delivered each month.

All of PS's products are delivered to customers' homes using the postal service. The packages can be left in a mailbox or in a safe place outside of the home. PS has an aim to improve the sustainability of its operations.

PS uses incremental budgeting. Table 1.1 shows the budgeted and actual cost and revenue data for 2023.

Table 1.1 Budgeted and actual cost and revenue data for 2023 ($000)

	Budgeted	Actual	Variance
Revenue	500	600	**x**
Direct costs	300	350	**y**
Indirect costs	150	125	**z**

The directors of PS have decided that the business needs a Marketing Manager. The role of the Marketing Manager will be:

- to plan the recruitment and training of a new sales team
- to organise the production of digital promotions
- to advise the Board of Directors on changes to the PS product portfolio.

The directors have shortlisted five suitable applicants and plan to invite them all to an assessment centre as part of the recruitment process.

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(a) (i) Identify **one** feature of a private limited company. [1]

(ii) Explain the term *sustainability*. [3]

(b) (i) Refer to Table 1.1. Calculate the variances in 2023 (**x**, **y** and **z**) and state whether each variance is favourable or adverse. [3]

(ii) Explain **one** benefit to PS of using incremental budgeting. [3]

(c) Analyse **one** advantage and **one** disadvantage to PS of using an assessment centre when selecting a Marketing Manager. [8]

(d) Evaluate the role of effective packaging for PS. [12]

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[Turn over

2 Cobblestone Shoes (CS)

Yazeem is a highly skilled shoemaker. He opened CS in 1975, as a sole trader, to design and repair shoes. When Yazeem set up CS the main target market was professional people who wanted shoes to wear to work or to dress smartly. He produced the shoes using batch production and sold them in his own shop. Each design of shoe was made in a range of sizes and colours.

Recently there has a been an increase in low-priced shoes produced for the mass market, which has reduced Yazeem's sales of new shoes. It has also reduced the demand for shoe repairs.

Yazeem's daughter, Abir, is keen to take over the running of CS. She has been fully trained in making shoes and feels that it is time for Yazeem to retire.

Abir thinks that the business should be targeting niche markets. She would like to design and produce unique shoes and use price skimming to increase the profitability of the business.

Abir is also concerned about the contribution made on each batch of shoes. Table 2.1 shows some break-even data for a recent batch of shoes.

Table 2.1 Break-even data about a recent batch of shoes

Break-even level of output	400 units
Margin of safety	100 units
Total variable costs	$18 750
Total costs	$23 750
Total revenue	$25 000

Abir has suggested that CS should adopt a just in time (JIT) approach to inventory management. By using JIT, she argues, CS would be able to increase its working capital and avoid having money tied up in inventory that might not be used or sold. CS currently has a large number of shoes on display in the shop. There is also a large amount of their main raw material, which is leather and must be kept in a climate-controlled storage area.

Abir has already found a new local supplier which is happy to deliver inventory as required.

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(a) **(i)** Identify **one** type of training. [1]

(ii) Explain the term *mass market*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the contribution per unit for the recent batch of shoes. [3]

(ii) Explain **one** limitation for CS of using break-even analysis. [3]

(c) Analyse **two** disadvantages to CS of adopting a JIT approach to inventory management. [8]

(d) Evaluate the importance to CS of being a small business. [12]

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